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SUBJECT: CHIRAC WINS EU COUNCIL'S BACKING ON HOT-BUTTON  
ISSUE FOR FRENCH VOTERS

REF: PARIS 1856

Classified By: Political Minister Counselor Josiah Rosenblatt for reasons 1.4 (b) and (d).

1. (C) Summary: Playing on collective nervousness over polls suggesting that French voters could reject the draft EU constitution in the May 29 referendum, President Jacques Chirac persuaded fellow EU heads of state and government March 22 to send back to the drawing board the Commission's "services directive" that had become the rallying cry of critics of the "ultra-liberal" constitution -- especially on the French left. In posing as the defender of the European social model, Chirac calculated he could arrest the slide towards a "no" on May 29, which would constitute a major blow to France's position as a leader in Europe -- and to his own domestic political ambitions. As seen from Paris, EU heads, in bowing to Chirac's political needs, acknowledged in some measure that a French rejection of the constitution would have serious consequences for the European construction. The stakes are high for Chirac, perhaps explaining why he -- and our GOF contacts -- steadfastly refuse to speculate on "what-if-it's-no" scenarios. End summary.

2. (C) Emerging from the March 22-23 European summit in Brussels to give waiting journalists his take on the results of talks with fellow EU leaders, Chirac wasted no time in getting down to the issue that had dominated the Council meeting, despite its absence from the official agenda. The first question he took, from French television, gave him his opening. Hadn't his EU colleagues just given him "a serious boost" in his campaign to win a 'yes' to the draft EU constitution in France's May 29 referendum? By agreeing to send back for revision the Commission proposal on opening the European services market, hadn't the Council helped him reverse the trend towards a 'no' vote in France, Chirac was asked. With two opinion polls earlier in the week having registered that, among those who had decided, "no" voters were for the first time more numerous than supporters of the Constitution -- by 52 to 48 percent in the most recent survey, Chirac knew he needed to address a clear message to his domestic audience. First, said Chirac, "I don't know anyone who imagines that France could reject the constitutional treaty. One could be wrong, naturally, but that was not (EU leaders') motivation." Moreover, said Chirac, the services directive, known in France as the Bolkestein Directive, for its principal drafter, Dutch Commissioner Fritz Bolkestein, "has no relation to the constitution" which "will very significantly increase social entitlements, social guarantees, and by consequence diminish the risk of a downgrade of social welfare standards."

3. (C) Chirac was striking a familiar note for many in France in casting himself as the defender of the European social welfare system, but the vehemence with which he expressed himself struck some as transparently playing to the gallery in order to advance his domestic political agenda. It was widely noted here that his press conference remarks and his reported statement behind closed Council doors that "ultra-liberalism is the new communism of our age" led Council President and Luxembourg Prime Minister Juncker to remark to French reporters that he "didn't know that you have a socialist government in France." Chirac's initiative to discredit and send into limbo the Bolkestein Directive was a gambit clearly calculated to remove from the 'no' campaign's arsenal what most observers believe had been the single greatest reason for the big increase in no camp adherents. "Economic growth and social cohesion have to go together," Chirac told the press, "that's what we call the European social model." In this context, Chirac went on, leaving no doubt in anyone's mind, "I had to remind (my colleagues) of France's total opposition to the services directive."

4. (C) MFA Cabinet Advisor for the constitution referendum campaign Guy Chauvin told us March 23 that Chirac's ability to win the support of the Council for a demand for a major revision of the Bolkestein Directive was clearly encouraging for supporters of the constitution. Technically, he said, it is true that there is no legal connection between the directive and the constitution, but in the minds of French voters, the issue had taken on a symbolic importance disproportionate to its actual significance. The directive's central "country of origin" principal, Chauvin explained, allowed opponents of the constitution to suggest that the directive, like the allegedly unrestrained,

free-market-oriented constitution itself, would open the door to competition in France from service workers in new member countries. The French public fears that new member state workers' purported willingness to work for lower wages and under more demanding conditions would bring down the average level of compensation and work-place health and safety standards. Recognizing that much of the criticism was overblown, Chauvin nevertheless acknowledged that Chirac had to act to counter it.

15. (C) That Chirac was able to succeed is indicative of the collective nervousness that the trend towards a no vote in France has inspired among EU and mainstream French political leaders. Having first enlisted the support of German Chancellor Schroeder, Chirac went on during the March 22 Council dinner to "arrive at the end of dinner -- without, I should say, major difficulties -- at an agreement to send the directive back to square one," Chirac told the press. France's EU partners have clear equities in the French referendum outcome, Chauvin told us. A no vote from France would put the entire constitutional project in doubt. Former French President and principal architect of the constitution Valery Giscard d'Estaing told the press that a French no would precipitate "an open crisis in Europe." Failure to ratify the constitution by any member state would mean that it would not come into force, Chauvin said. And while a no vote from a traditionally Euro-skeptic country like Ireland or Denmark might be overcome by some means, a no from France would undo more than two years of negotiations.

16. (C) Chirac tried to make clear what was at stake for France in Europe during his press conference. First assuring his audience that he respected the right of every Frenchman to vote as he chose, Chirac went on to warn that "if France blocks the European construction, the consequences will not be negligible, and it would lose a large measure of its authority, which is in any case necessary in tomorrow's Europe." A no, of course, would also have major negative consequences for Chirac's own political ambitions and for those of many of his fellow French politicians, a subject to be addressed septel. Chauvin and his colleague, MFA Cabinet Advisor for European Affairs Valerie Bros, affirmed that a no vote in the referendum would be a major blow to French ambitions not only within Europe, but for Europe in the world. Legally, Chauvin explained, failure to ratify the constitution would mean that the Europe of 25 members would continue to be governed by the Nice Treaty, which the GOF has judged inadequate to the task. Apart from the inefficiency of decision-making in the Council that is apparent under Nice, rejection of the constitution would also deny the EU the greater visibility and authority it had hoped to achieve with such constitutional innovations as a permanent Council presidency and an EU foreign minister, Bros said.

17. (C) So how would the GOF react to a no vote? "Would you have to renegotiate the constitutional treaty? Would France ask to 'opt out'? Would France leave the European Union," Chirac was asked at his Brussels press conference. "Do you want me to tell you what I really think," Chirac threw back. "Well then, I can't imagine that we would find ourselves in that situation." Our GOF contacts were similarly reluctant to answer the question. "Now we are in a more political phase (of the campaign) and the consequences of a no vote have to be explained, Chauvin told us. "But what we haven't done is a really profound analysis" of what would happen if French voters rejected the constitution. Asked whether EU plans for future enlargements, especially Turkey's, would be affected, Bros said there was no connection between the two. Turkey's candidacy has its own dynamic and ground rules, which will not change even if the constitution does not come into force, she said. For Turkey, the next milestone will be its decision on signing the EU customs union, with its implicit recognition of Cyprus. Without that decision, negotiations will not open on October 3. But as for other scenarios arising from a no vote in May, "we're just not on that wavelength," Chauvin said.

Comment  
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18. (C) It remains to be seen whether Chirac's coup in Brussels will sufficiently impress no voters to reverse the trend in the polls. The de-fanging of the "Bolkestein Directive," which had become symbolically important as evidence of a drift towards a more liberal, less socially secure Europe that the constitution is alleged to represent, will undoubtedly change some minds. But as reftel makes clear, it is not Chirac's and the constitution supporters' only problem. A more serious one -- evidence that voters are fed up with France's elitist governing class and with being taken for granted, and that they are preparing to use the constitutional referendum as an opportunity to express that anger -- appears to be so radical a development as to leave Chirac and the GOF with no adequate response. In short, it doesn't look like there's a plan b. Chirac indicated during his Brussels press conference that he would have more to say

on the subject -- at a time of his choosing. The chattering  
classes have not as yet made up their minds as to whether the  
French president will be equal to the task. End comment.  
Wolff